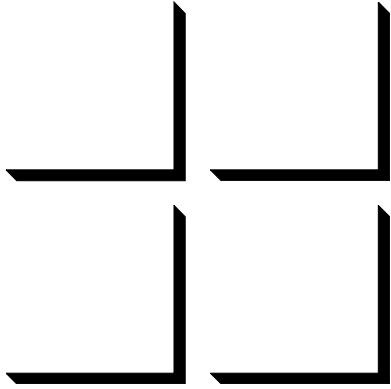


**Rules Governing Participation and
Preferences for Owners, Operators of
Businesses and Tenants for the
Riverside Redevelopment Agency**

THE CITY OF RIVERSIDE REDEVELOPMENT AGENCY



Rules Governing Participation and Preferences for Owners, Operators of Businesses and Tenants for the Riverside Redevelopment Agency

***THE CITY OF RIVERSIDE REDEVELOPMENT
AGENCY***



701 S. Parker Street
Suite 7400
Orange, CA 92868

GRC REDEVELOPMENT CONSULTANTS

Rules Governing Participation and Preferences for Owners, Operators of Businesses and Tenants for the Riverside Redevelopment Agency

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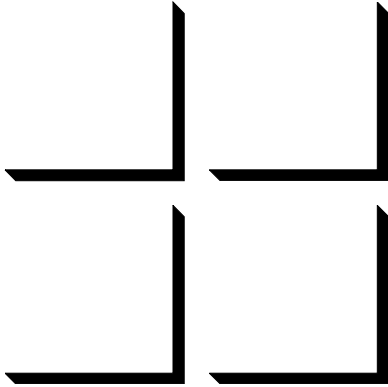
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Deanna Lorson, *Development Director*
Heriberto Diaz, *Deputy City Attorney*

Rules Governing Participation and Preferences for Owners, Operators of Businesses and for the Riverside Redevelopment Agency

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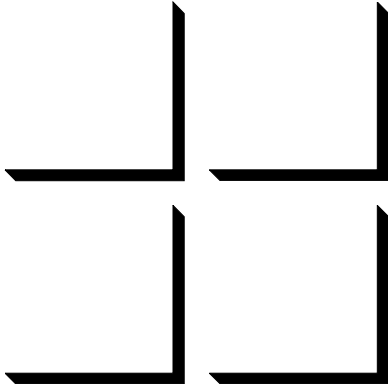


1.0 PURPOSE AND INTENT

In accordance with Section 33345 of the California Community Redevelopment Law (the “CRL”), the Riverside Redevelopment Agency (the “Agency”) desires to put into effect rules for owner participation, which shall be applicable to all redevelopment project areas in the City of Riverside (the “City”). These “Rules Governing Participation and Preferences for Owners, Operators of Businesses and Tenants” for the proposed Project Area (the “Owner Participation Rules”) are promulgated to implement the provisions of the CRL and each individual redevelopment plan (the “Redevelopment Plan”) that is administered by the Agency.

It is the intention of the Agency to encourage and permit participation in the redevelopment of each area designated for proposed redevelopment (the “Project Area”) by owners, businesses, and tenants residing within the boundaries of the Project Area, to the extent feasible and consistent with the Redevelopment Plan prepared for each Project Area. Participation by individual persons and firms is permitted; and, in addition, to the extent feasible, two or more persons, firms or institutions are urged to participate by joining together in partnerships, corporations or other joint entities.

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2.0 DEFINITIONS

Agency - means the Redevelopment Agency of the City of Riverside.

Business - means any person, persons, for-profit or not-for-profit corporation, association, partnership, sole proprietorship, or other entity engaged in business within the Project Area on the date of, or subsequent to, adoption of the Redevelopment Plan by the City Council.

City - means the City of Riverside, California.

City Council - means the City Council of the City of Riverside, California.

CRL - Section 33000 et. seq. of the California Health and Safety Code (the "Community Redevelopment Law")

Executive Director - means the Executive Director of the City of Riverside Redevelopment Agency, or his or her designee.

Non-Conforming Use - means, for the purposes of this document, a use not principally or conditionally permitted by the applicable zoning or General Plan designation.

Owner - means any person, persons, corporation, association, partnership, or other entity holding title of record to real property in the Project Area on the date of, or subsequent to adoption of the Redevelopment Plan by the City Council.

Owner Participation Rules - means this document.

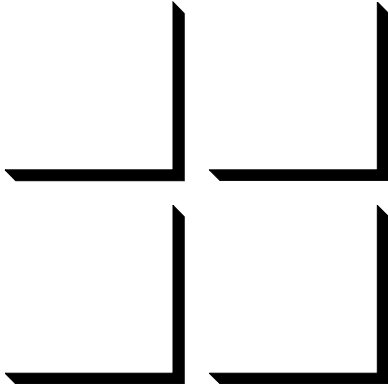
Participation Agreement - means an agreement entered into between the Agency and an owner, business or tenant living or operating within the Project Area in accordance with the provisions of the Redevelopment Plan and the rules as designated herein.

Project Area - means the proposed Project Area, as described in the Redevelopment Plan.

Redevelopment Plan - means the document prepared for the Project Area that represents a process and a basic framework within which specific projects that will be undertaken. The plan provides the Agency with powers to take certain actions such as to buy and sell land within the area covered by the plan (project area), improving dilapidated facilities, and to use tax increment financing to help achieve eliminating blighting conditions.

Statement of Interest, and Statement of Interest to Participate - means the documents comprising Appendix "A" hereto, which is incorporated herein by reference.

Tenant - means any person, persons, corporation, association, business, partnership or other entity that rents or leases real property on the date of, or subsequent to, adoption of the Redevelopment Plan by the City Council.



3.0 GENERAL PROCEDURES

These Owner Participation Rules have been prepared by the Agency specifically to implement the provisions of the Redevelopment Plan for each Project Area regarding participation and the exercise of re-entry preferences for owners, businesses and tenants within each Project Area. Owners, businesses, and tenants who are desirous of exercising their participation rights and preferences shall abide by these Owner Participation Rules in exercising their preferences and participation opportunities.

The Agency desires and encourages participation in the redevelopment of the Project Area by existing owners, businesses, and tenants to the extent feasible in best achieving the objectives of the Redevelopment Plan. In view of the pattern of land use and development envisioned by the Redevelopment Plan, owners, businesses, and tenants in the Project Area will be encouraged, when feasible, to take advantage of their participation re-entry and preference opportunities as described herein. Participation opportunities are, however, necessarily subject to and limited by factors such as the following:

- Removal, relocation and/or installation of public utilities and public facilities.
- The construction, realignment, abandonment, widening, opening or other alteration or elimination of public rights-of-way.
- The elimination and/or modification of some existing uses.
- The realignment and/or alteration of some streets.
- The ability of participants to finance and complete proposed redevelopment within a reasonable time pursuant to a schedule for performance, with uses and improvements consistent with and in furtherance of the Redevelopment Plan.
- Any aggregation or reparcelization of parcels in the Project Area.
- Any change in orientation or character of the Project Area.

- The requirements of the Redevelopment Plan and applicable rules, regulations, and ordinances of the City of Riverside.
- Any design guidelines adopted by the Agency pursuant to the Redevelopment Plan.
- The assembly and development of areas for public and/or private development in accordance with the Plan, and the necessity to assemble areas for such development.
- The feasibility of the potential participant's proposal.
- The capability and/or experience necessary to implement proposed development, as determined in good faith by the Agency.
- The construction and expansion of public facilities.

3.1 Preferences Among Participants

If conflicts develop between the desires of participants and developers for particular sites or land uses, the Agency is, with consideration of the factors above, authorized to establish reasonable preferences among the potential participants and developers and to determine a solution by consideration of factors including but not limited to:

1. Length of time in the area
2. The needs and desires of the area
3. Accommodation of as many potential participants as possible
4. Ability to perform
5. Similar land uses
6. Conformity with intent and purpose of the Redevelopment Plan

Participation, to the extent feasible, shall be available for individuals, two or more persons, firms or institutions to join together in partnerships, corporations, or other joint entities. If a conflict develops, the Agency shall review the applicable factors and shall make a determination as to which of the competing proposals best meets the objectives of the CRL, the Redevelopment Plan and these Owner Participation Rules. The Agency is authorized to make that determination in its subjective judgment.

3.2 Criteria for Evaluating Proposals Submitted by Participants

The Agency may, in its discretion, decline any offer of owner participation, resolve conflicting proposals between Owners or resolve conflicting proposals between Owners and others interested in developing their property. Proposals submitted for particular sites or land uses will be appraised by the Agency after consideration of the following factors:

1. Removal of blighting conditions within the Project Area and the upgrading of uses.
2. Conformity of the proposal, including with respect to uses, with the Redevelopment Plan and other applicable enactments.
3. Conformity of the proposal with the intent and objectives of the Redevelopment Plan.
4. The degree to which the proposal best furthers the objectives of the Redevelopment Plan.
5. The employment opportunities and economic benefits to the Agency and to the community that can be reasonably expected to result from the implementation of the proposals.
6. Development team qualifications, including experience and financial capacity to undertake the project, the ability of the person(s) desiring to redevelop the property to implement the proposed project, taking into consideration the proponent's financial capability, prior experience with similar development, degree of site control, ability to obtain financing, ability to abide by Agency design standards and development controls, and readiness to proceed.
7. Estimated cost, if any, of City or Agency involvement, including the provision of City or Agency services, to be required if the proposal is accepted.
8. Economic benefits to the Agency, the City, and the community, as determined by a cost/benefit analysis, if the proposal is approved and the proposed development implemented.
9. The likelihood of successful implementation.
10. Time schedule for completion of the proposed project.
11. Involvement of other Project Area tenants or owners.
12. Completeness of the proposal, including land uses, site control, financing proposal, densities, tenants and, if applicable, manufacturer or franchise approval.

13. Environmental benefits (or lesser degree of detrimental impact).
14. Quality of design, project concept and architectural design features.

Satisfaction of the above listed criteria can be effected by the submitted party itself, or by a partner or joint venturer. Any such partner or joint venturer must be identified at the time of submittal, and must be authorized to make representations to the agency on behalf of the partnership or joint venturer.

In the event conflicting submittals are received that satisfy the criteria set forth in above, the following criteria shall be applied to resolve such conflict:

1. Best satisfaction of the criteria set forth above.
2. Greatest public benefit.

The Agency may receive and consider proposals from persons other than owners or tenants. The Agency will evaluate all such proposals based upon the criteria set forth in the above section. The Agency shall give preference to proposal by owners and tenants in the event an owner or tenant submits a proposal that fulfills the criteria set forth in the above section to substantially the same extent as that achieved by a proposal by a person other than an owner or tenant.

3.3 *Time Periods for Participation and Procedures for Evaluation of Submittals*

At any time prior to entering into an agreement with a developer from outside the Project Area for the assemblage of a particular site, the Agency, through its staff, will notify all directly affected Owners and Tenants from within the particular site of the Owner Participation Rules. Owners and tenants so notified will be given thirty (30) calendar days to respond, indicating by a "Statement of Interest" whether they are interested in being considered as participants and, if so, in what capacity (further described in Chapter 6.0). Any Statement of Interest must be in writing, in the form of Exhibit "A." The Agency staff shall, within ten (10) calendar days after receipt of a Statement of Interest, acknowledge receipt of the Statement by a confirming letter to the prospective participant. Such written acknowledgment shall not obligate the Agency to ultimately reach agreement with the applicant or to reject other proposals.

Within thirty (30) days of the deadline for submitting the Statement of Interest (thus, within a total of sixty (60) days from original notification), any owner or tenant desiring to be considered as a developer must submit a detailed proposal for the project, which shall include such items as a construction proforma, an operating proforma, a business plan, site elevations and a site plan. An owner or tenant desiring to participate as a tenant shall describe generally its business, and shall provide such additional information as may be requested by the Executive Director. The Agency's staff will be available throughout the above-listed time frame to discuss proposals and to assist informally in the making of necessary adjustments conducive to the parties involved; provided that the proponent, and not the Agency staff, shall be responsible for the content of any proposal.

The Agency will make reasonable efforts to accommodate the interested owners, businesses, and tenants desiring to participate in the project. Upon receipt of requests for consideration by owners or tenants from within the Project Area with respect to owner participation or re-entry of business within the Project Area, the Agency, through its staff, will review such submittals, as set forth below.

Upon receipt of submittals, initial evaluation shall be conducted by the Executive Director of the Agency. Each party making a submittal is responsible for the completeness and accuracy of its submittals. If requested by the Executive Director, submittals shall include a construction proforma (if applicable), an operating proforma, a business plan, site elevations and a site plan. Proposals to participate as tenants shall include a description of the subject business, a business plan, and such other information as the proponent may deem appropriate or as may be requested by the Executive Director. These items may also be requested of a party that expresses an interest to participate solely as a tenant.

In the event the Executive Director notifies a party making a submittal that the submittal is incomplete or that additional information is required, such party shall be allowed two (2) weeks to complete its submittal. The failure to provide such additional information of the submittal in a timely manner will terminate consideration of any such submittal.

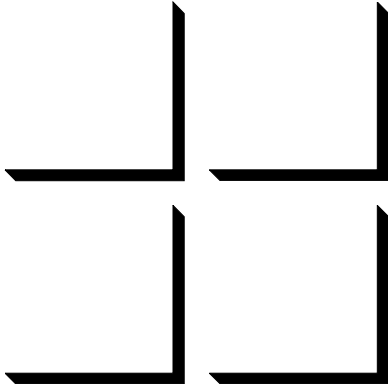
Upon receipt of one or more submittals, and additional information is applicable, the Executive Director will evaluate the submittal and make a determination with respect to whether the submittal conforms to the criteria set forth in

Chapter 3.0. In the event a party having made a submittal disagrees with conclusions reached by the Executive Director, such party may appeal such decision to the governing Board of the Agency by making written request therefore within ten (10) days after the Executive Director transmits notice of the initial evaluation. The review of such submittal(s) by the Agency Board shall be de novo (anew).

Where the Executive Director deems appropriate, the Executive Director or a staff member will meet with the applicant and discuss the proposal prior to making a determination concerning the proposal. A determination shall be made by the Executive Director within forty-five (45) days after the receipt of the proposal, or the time the proposal is required to be received, whichever is earlier; provided that the foregoing 45-day period shall be subject to reasonable extension upon the mutual agreement of the Executive Director and the party making the submittal.

Any decision by the Executive Director resolving a conflict between submittals may be appealed for de novo review by the governing body of the Agency by the applicant by mailing a written request within ten (10) days after the Executive Director transmits notice of his decision.

If an appeal is filed in accordance with the procedures herein set forth, all times otherwise applicable pursuant to these rules shall be extended until the Agency decides the appeal, or the appeal is withdrawn or otherwise finally determined.

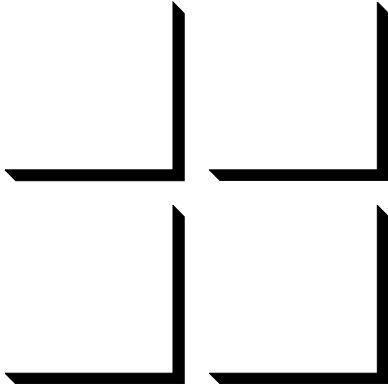


4.0 PARTICIPATION BY OWNERS IN THE SAME LOCATION

In appropriate circumstances where such action would foster the unified development contemplated by the Redevelopment Plan, an owner may participate in substantially the same location either by retaining all or portions of his property, or by retaining all or portions of his property and purchasing adjacent property if needed and available for development in accordance with the Redevelopment Plan. An owner who participates in the same location may be required to rehabilitate or demolish all or part of his existing buildings or the Agency may acquire only the buildings and remove or demolish such buildings.

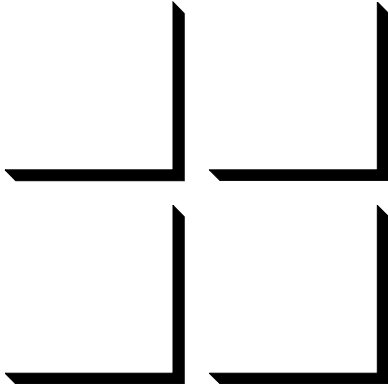
Where a proposal to participate in the same location involves a building in good condition, but with an existing use which does not conform to the provisions of the Redevelopment Plan, the Agency may allow such use to continue provided that such use is generally compatible with the permitted uses in the area in which the building is located. In order to remain in the Project Area with a nonconforming use, the owner must agree to the imposition of such reasonable restrictions as are necessary to protect the permitted uses in the remainder of the Project Area.

The final decision concerning acquisition of real property by the Agency will be based upon the conditions existing at the time the Agency purchases property or enters into Participation Agreements.



5.0 PARTICIPATION BY BUSINESSES AND TENANTS

Pursuant to these Owner Participation Rules, businesses or tenants in the Project Area will be given a reasonable opportunity to remain or preferences to re-enter, into the Project Area, if they otherwise meet the requirements prescribed by the Redevelopment Plan and these Owner Participation Rules. In the case of re-entry, preferences will be given if suitable facilities become available with implementation of the Redevelopment Plan. The viability of the involvement of a business or tenant in re-entry will depend, in part, upon the ability of the person to participate on the basis proposed, including such factors as the ability to pay the requisite rent, the suitability of the proposed tenancy for the development under consideration, readiness to proceed, and those other factors as generally set forth in Chapter 3.0.



6.0 PROCEDURE FOR BECOMING A PARTICIPANT

6.1 Submittal of a Statement of Interest

The Agency will, through its staff, work with each owner, business and tenant in the Project Area who desires to participate. The Agency will notify by certified mail, return receipt requested, the last known assessee of any particular property that will be affected by a project. Such notification will refer to these Owner Participation Rules and shall state that the Agency, through its staff, is available to answer questions or generally to provide advisory assistance. The notification will advise all such persons of the date by which interested owners, businesses, and tenants should submit to the Agency a completed form entitled “Statement of Interest to Participate” (see Appendix A attached hereto and incorporated herein by reference).

Every owner, business or tenant interested in becoming a participant shall submit to the Agency a completed Statement of Interest to Participate (Appendix A) within thirty (30) days from the date of the notification. All Statements of Interest to Participate received after the established date for submission may be given consideration by the Agency, at its discretion, but in a priority secondary to those Statements of Interest to Participate received within the established date as defined above.

The Agency shall proceed to negotiate with each owner, business or tenant returning the statement of Interest to Participate as appropriate to each owner, business or tenant response.

Failure to comply with time limitations as described in Chapter 3.0 shall be deemed to constitute an abandonment and relinquishment of any right of the proponent to be considered as a participant pursuant to the Redevelopment Plan and these Owner Participation Rules.

Subject to the provisions of these Owner Participation Rules, the Agency will endeavor in good faith to accommodate owners, business operators, or tenants desiring to develop or improve property in the Project Area by expediting the negotiation of Participation Agreements upon request. The foregoing shall not be deemed to diminish the rights or discretion of the Agency in implementing the Redevelopment Plan.

6.2 *Submittal of a Proposal for Owner/Tenant Participation*

The Agency, by inclusion of the Owner Participation Rules or reference to these Owner Participation Rules in writing to any potential participant, shall be considered to have notified each owner, business, or tenant who has submitted a valid Statement of Interest to Participate (Appendix A) of the time within which they must submit a proposal for participation, if they desired participation.

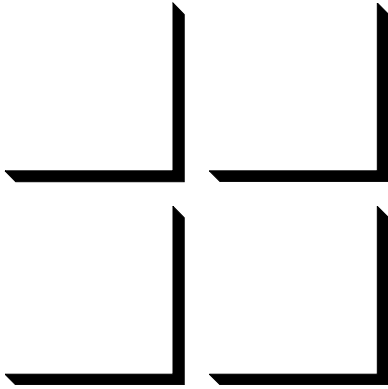
In addition, if the Agency determines that an owner, business, or tenant within the Project Area will be required to enter into a Participation Agreement, the Agency shall notify the owner, business, or tenant in writing of its intention to require a Participation Agreement, and shall provide the owner, business, or tenant with a copy of the proposed Participation Agreement.

6.3 *Completion of a Participation Agreement*

Each owner, business, or tenant who has submitted an acceptable proposal for participation shall enter into a Participation Agreement with the Agency. Each Participation Agreement will contain provisions necessary to ensure that the participation proposal will be carried out, and that the subject property will be developed and/or rehabilitated and used in accordance with the conditions, restrictions, rules and regulations of the Redevelopment Plan and the subject Participation Agreement. Each Participation Agreement will require the participant to join in the recordation of such documents as the Agency may require in order to ensure conformance with applicable laws, conditions, restrictions,

rules and regulations. The Participation Agreement will also provide that a successor-in-interest of the original participant may become a participant with the written approval of the Agency.

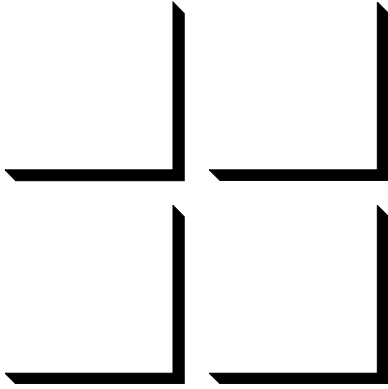
A Participation Agreement shall generally provide that if the owner, business, or tenant does not comply with the terms of the Agreement, the Agency, in addition to other remedies, may acquire their property or any interest therein by any lawful means, including eminent domain, for its fair market value as of the date of the Participation Agreement (or such other value as may be negotiated), and the Agency may thereafter dispose of the property or interest so acquired in accordance with the Redevelopment Plan. All Participation Agreements will become effective only when approved by the Agency.



7.0 LIMITATIONS ON ACQUISITION OF PROPERTY BY THE AGENCY

The Agency shall not acquire real property on which an existing building is to be continued at its present site and in its present form and use without the consent of the owner or occupant unless:

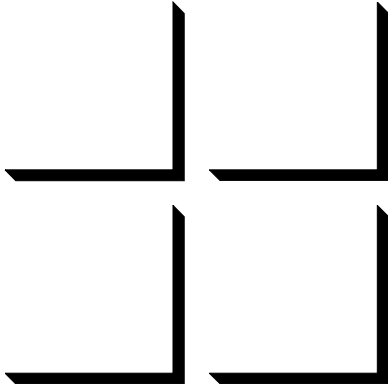
- Such building is required, under applicable housing, building, electrical, plumbing or other codes or standards, to undergo structural alteration, improvement, modernization or rehabilitation, to assure that such structures are decent, safe and sanitary for people and businesses to occupy.
- The site or lot on which the building is situated requires modification in size, configuration or use.
- It is necessary to impose upon such property any of the standards, restrictions and controls of the Redevelopment Plan, and the Owner fails or refuses to participate in the Redevelopment Plan by executing a Participation Agreement.



8.0 PROCEDURE FOR AMENDING PARTICIPATION RULES

The Agency Board may amend these rules after their adoption through a duly noticed public meeting.

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APPENDIX A

Statement of Interest to Participate

**Lincoln Avenue and Mary Street
Statement of Interest in Participation***

I hereby express my interest in participating in the redevelopment of the Project Area and submit the following information:

1. Name: _____ Telephone (_____) _____

2. Home Address: _____

3. Name of Business: _____

4. Address of Business: _____

5. My present involvement in the Project Area is (please check where applicable):

I now own (____); am a tenant (____); and wish to rehabilitate (____); build (____); sell (____) my present property.

If tenant, indicate: month-to-month (____); lease (____); expiration date of lease :_____. Options extend lease to _____.

If lease, is there an option to purchase? Yes (____); No (____).

Comments: _____

6. I am interested in participating:

As a property owner (____); As a tenant (____);

Other (please describe): _____

7. My present type of business is: _____

8. If I participate:

I would like to continue at the same location (_____)

I would like to change my present location (_____)

I would like to acquire real property for expansion (indicate approximate location requirements)_____

9. Background, experience, and information concerning your proposal (you may include further information on this page or attach additional sheets if you desire to do so):

(a) Generally describe background and experience:_____

(b) Describe the activities you propose and indicate your experience relevant to your proposal:

- (c) If you enclose a business plan or construction and operating proforma relative to your proposed activity, these will be considered with your statement of interest.

ADDITIONAL REMARKS:

10. I understand that submission of this Statement of Interest does not in any way obligate me to participate in the Project.

Signed:_____

Print Name:_____

Title (if applicable):_____

Dated:_____

RETURN WITHIN 30 DAYS TO:

Statement of Interest
c/o Executive Director's Office
City of Riverside Redevelopment Agency
3900 Main Street, 5th Floor
Riverside, CA 92522

*Complete Owner Participation Rules available at City of Riverside Redevelopment Agency at the above referenced address or by calling 951-826-5374